

Message Text

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DRAFTED BY EA/K:PMAYHEW:CHG

APPROVED BY EA - MR HABIB

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EXIM - RPRICE (PARA 3)

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R 152244Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 219538

E.O. 11652: GDS

TAGS: EFIN, KS

SUBJECT:FINANCE MINISTER KIM'S CALLS IN WASHINGTON

1. FINANCE MINISTER KIM YONG HWAN CALLED ON TREASURY SECRETARY SIMON, EXIM BANK PRESIDENT CASEY, IBRD PRESIDENT MCNAMARA AND ASSISTANT SECRETARY HABIB DURING VISIT FOR ANNUAL IBRD/IMF MEETING.

2. KIM TOLD DEPT OFFS CONVERSATION WITH SECRETARY SIMON WAS GENERAL IN NATURE AND LARGELY CONCERNED PROSPECTS FOR US ECONOMY. TREASURY SOURCE SAID KIM DID ASK FOR USG EFFORTS INFLUENCE US BANKS TO CONTINUE TO EXTEND CREDITS TO ROKG. SECRETARY SIMON REPLIED WE SYMPATHETIC KOREAN SITUATION, BUT UNABLE INFLUENCE PORTFOLIOS OF AMERICAN BANKS. SECRETARY SIMON ALSO ASSURED KIM WE WOULD CONTINUE TO SUPPORT KOREA WITH INTERNATIONAL FINANCIAL INSTITUTIONS AND WOULD ALSO
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CONTINUE PL 480 AND EXIM LOANS.

3. DISCUSSION WITH EXIM PRESIDENT CASEY LARGELY FOCUSED ON KORI-II LOAN. CASEY DESCRIBED CONGRESSIONAL INTEREST IN EXPORT OF NUCLEAR EQUIPMENT AND TECHNOLOGY BECAUSE OF CONCERNS OVER POSSIBLE NUCLEAR PROLIFERATION. IN THIS CONNECTION, KIM CLAIMED NEGOTIATIONS FOR FRENCH

PILOT NUCLEAR REPROCESSING PLANT HAD SLOWED. KIM DESCRIBED DIFFICULTIES IN SECURING FUNDING FOR SEVENTH FERTILIZER PROJECT. CASEY WAS NON-COMMITTAL ON POSSIBILITY OF FURTHER EXIM COMMITMENT TO PLANT.

4. IN CONVERSATION WITH ASSISTANT SECRETARY HABIB, KIM SAID THAT ROKG WOULD CONCLUDE RECENTLY DISCUSSED STANDBY AGREEMENT WITH IMF. FOLLOWING APPROVAL BY THE IMF BOARD, WHICH KIM EXPECTED BY LATE SEPTEMBER, THE ROKG WOULD WITHDRAW SECOND STANDBY TRANCHE AND AT SAME TIME WOULD WITHDRAW ADDITIONAL 20 PER CENT OF 1975 OIL FACILITY. KIM ALSO TOLD HABIB THAT HE HAD DISCUSSED ROKG'S FOURTH FIVE-YEAR PLAN IN CONVERSATION WITH IBRD PRESIDENT MCNAMARA. KIM REPORTED HE TOLD MCNAMARA THAT HE HOPED IBRD WOULD PROVIDE ABOUT 15 PER CENT ANNUALLY OF NEEDED CAPITAL INFLOW OF \$2 BILLION PER YEAR OVER PLAN PERIOD. KIM SAID MCNAMARA DID NOT COMMENT ON REQUEST. KIM ALSO ASKED THAT PLANNED IBRD PROGRAM LOAN BE RAISED FROM \$75 TO \$100 MILLION. MCNAMARA SAID REQUEST WOULD BE CONSIDERED. IN RESPONSE TO QUESTION FROM HABIB, KIM SAID THAT IN ADDITION TO IBRD FUNDING, HE LOOKED FOR \$500 MILLION PER YEAR CAPITAL INFLOW OVER PLAN PERIOD FROM US SOURCES, \$150-200 MILLION FROM ADB, AND THE REMAINDER FROM JAPAN AND OTHER SOURCES.

5. ON ECONOMY IN GENERAL, KIM SAID THERE MUCH IMPROVEMENT SINCE MAY, LARGELY DUE TO INCREASED EXPORTS TO MIDDLE EAST AND EUROPE, AND STABILIZATION OF IMPORT TREND. HE PROJECTED 6.5 TO 7 PER CENT REAL GROWTH IN 1975, 20 TO 25 PER CENT PRICE INFLATION FOR YEAR, AND QUOTE SUBSTANTIAL UNQUOTE IMPROVEMENT IN 1976 BALANCE OF PAYMENTS.

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